

INNOVATION BY CHANCE OR HABIT?

APPLYING THE RIGHT FRAMEWORK TO IMPROVE INNOVATION PERFORMANCE

Staying ahead of competition in today's accelerating business landscape requires strong innovation capabilities able to deliver novelty effectively. New prerequisites and requirements create opportunities but also challenges and the players that can cope with this new situation best will profit. This newsletter will describe some of the main opportunities and challenges that companies are facing and point out how implementation of appropriate structures and ways of working support companies to improve innovation. The newsletter emphasizes the importance of frameworks and a distinction between incremental and radical innovation to enable the full range of innovation.

Innovation fundamentals

Being successful in generating innovation over time is a result of effectively managing several different factors, such as nurturing an innovative culture and forming structures supporting innovation. Specific capabilities are needed, ranging from the generation and screening of ideas to market implementation, capitalizing on the results. Companies understanding these factors will most likely benefit from consistent, scalable and profitable innovation streams able to influence their business landscapes or at least being able to respond to changes rapidly. Remaining a competitive and profitable player over time requires the skill of managing the full innovation range, from incremental refinements to existing offerings to more radical, e.g. incorporating superior new technology or changing business models. Managing this full range is a demanding task where radical innovation can be inhibited due to focus on more short-term activities.

New prerequisites and requirements

The ever-increasing ratio of software content in products create new opportunities to innovate. Being able to update software

content remotely makes it possible to continuously make improvements and launch innovations in a faster pace.

Furthermore, customers in today's NOW-economy expect to have the latest features available immediately. In this context speed is key. Furthermore, customers today expect a much higher degree of personalization. Therefore, a high responsiveness to market demands and the possibility to customize have become hygiene factors. Coping with these new prerequisites and requirements forces companies to find new flexible ways

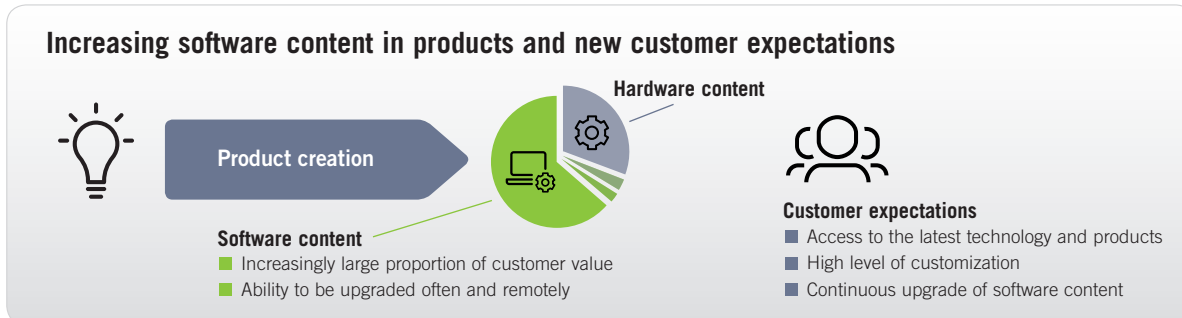
of working with innovation. Here, new frameworks have emerged and are generally seen as the path to take to improve the ability to innovate.

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Establishing frameworks for innovation

As mentioned, enabling innovation is a result of effectively managing a multitude of factors where the structures, ways of working, and governance need to be established as base in combination with factors such as leadership, nurturing a creative culture, and access to the right capabilities.

Focusing on governance and structure, companies have traditionally aligned the development organization to well defined strategic plans that set the direction in a top-down manner. This approach involves breaking down activities in sequential stages to be adopted and followed by the teams. Other methodologies, such as agile, take on a more iterative approach with more distributed strategic responsibility. When large complex solutions are developed, agile approaches divide the work amongst development teams, sometimes distributed globally. These teams are to a higher extent working autonomously and prioritize themselves the features and initiatives that they work on. As will be discussed in this newsletter, this puts new requirements on establishing effective governance and some form of coordination between teams. To summarize, both traditional and agile development can lead to improved innovation performance if implemented and managed in the right way based on business need.



AGILE FRAMEWORKS, AN ENABLER FOR INNOVATION?

Evolving agile frameworks

Recent advancements in frameworks for large-scale agile development have received a lot of interest in recent years, both because of the reported benefits of successful implementations of agile development in large scale and also because of the challenges discovered. These agile frameworks form a part of a larger trend towards systematization of innovation where several frameworks have been developed and evolved with time, including agile portfolio management and

scaled agile framework (SAFe), to name a few. Agile portfolio management focuses on the value of the development project portfolio whereas SAFe can be applied for different sizes of solutions and numbers of teams.

Challenges

Some general inherent challenges with scaling agile development can be seen. One of the key challenges frequently present is alignment of development between teams. Coordination

is more complex when development teams are distributed and autonomous with both operational and strategic responsibility. When these teams are setting their own priorities according to their strategy, clear interfaces with few dependencies are beneficial. Failing to keep dependencies between teams at a minimum will create a significant need for alignment and coordination, slowing down decision speed, development pace and limiting room for innovation. Achieving full autonomy is difficult. Hence larger initiatives, also referred to as Epics, are assigned to owners who are responsible for coordinating between the different autonomous groups. It is important to realize how Epics differ from traditional projects; Epic owners have limited authority and must therefore ensure the Epic is prioritized by proving the intended value to each team involved. Avoiding too large Epics and limiting these to a small number of teams have been proven an effective way to limit the risk of non-prioritization.

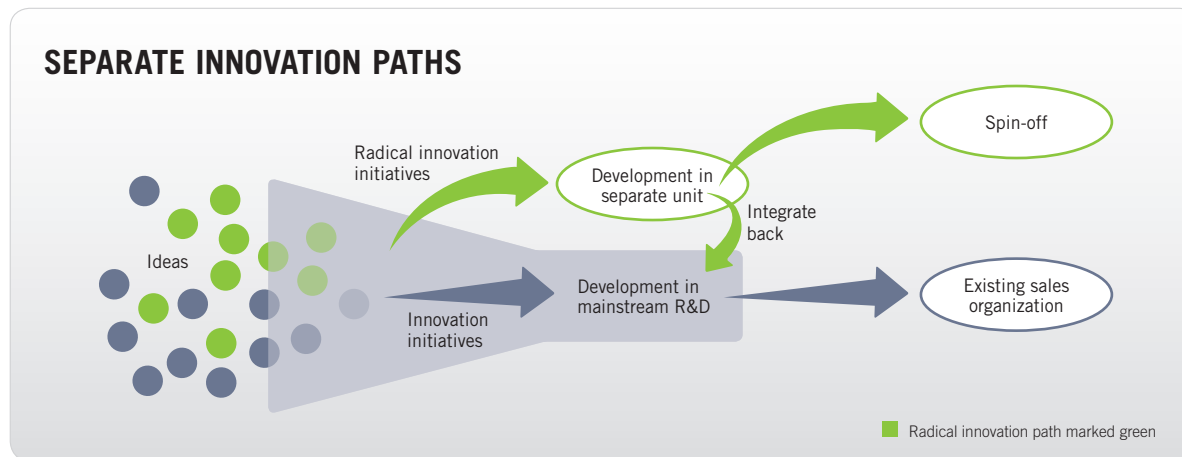
"The frameworks enable coordinating activities effectively even in large-scale development, while preserving a high level of responsiveness."

Opportunities

The frameworks intend to improve the performance of development of products and services. A successful implementation can mean faster cycles, shorter time-to-market, as well as a reduced failure rate of development projects. The frameworks enable coordinating activities effectively even in large-scale development, while preserving a high level of responsiveness to dynamic market requirements and emerging technologies. By combining agile development with traditional portfolio management, the success rate of projects increases, if handled in the right way. This combination is usually achieved through a common and transparent coordination of the so-called portfolio backlog where teams define, plan and prioritize activities for the next period.



MOVING FROM THEORY TO PRACTICE



Fostering radical innovation through separation

Even if the company successfully implements a new development approach, other measures must still be in place to enable radical innovation. Overlooking radical innovations by ruling them out as too small business opportunities in the short/medium-term is a common issue. Some companies succeeding in producing radical innovation keep these separate from the mainstream business and incremental innovation. Semi-autonomous organizational units are formed with separate governance processes, metrics and resource allocation. By allowing the unit to connect with new external networks it becomes able to respond quickly to changes in technology and market. This approach can unlock smaller opportunities of emerging technologies, that later grow to become sizable breakthroughs. At some point while the innova-

tion matures, it may be integrated into the mainstream business for commercialization or become a spin-off, depending on the fit with overall strategy and core business.

Transforming theory into practice

Over the years, Triathlon has supported organizations undergoing transitions to improve innovation capabilities. Based on experience, there are some key points to consider when implementing new frameworks and ways of working. To begin with, changes targeted at improving innovation capabilities should be based on a common understanding where the organization is today and the current way of working. Knowing this and the objectives and targets going forward will greatly improve the ability to understand the challenges and changes needed going forward.

Unfortunately, there is no one-size-fits-all structure that companies can plug in to increase innovation efficiency. Many frameworks and configurations are available, and the selection needs to be based on the strategic and operational needs. Identifying these needs will greatly improve the ability to make an independent assessment of the available frameworks and identify which will give the best fit.

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When the needs have been identified and a framework has been selected it is important to keep in mind that customizations will most likely be necessary to the framework. Here, a fine balance is needed between keeping customizations to a minimum and at the same time ensuring a good fit. Too many changes to the framework may lead to failure to reach the full potential and sticking to the blueprint too rigidly can reduce willingness to adopt the new way of working.

Once selecting and implementing the right framework and defining how to protect radical ideas with potential, the innovation capabilities can bridge the gaps that other organizations struggle with. As mentioned, multiple success factors need to be addressed, and it will take persistence to make improvements stick on all levels of the organization. Experience shows that, with commitment and diligence, there is real potential for improving and securing consistent innovation performance.



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